

CITY OF SPENCER, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

FOR THE YEAR ENDED JUNE 30, 2009

TABLE OF CONTENTS

	<u>Page</u>
Directory of City Officials and Related Organizations' Trustees	1 - 3
Independent Auditor's Report	4 - 5
Management's Discussion and Analysis	6 - 11
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Activities and Net Assets- Cash Basis	12-13
Governmental Funds Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	14
Proprietary Funds Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	15-16
Fiduciary Funds Financial Statements:	
Statement of Cash Receipts, Disbursements, and Changes in Cash Balances	17
Notes to Financial Statements	18-30
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule of Receipts, Disbursements, and Changes in Balances -	
Budget and Actual (Cash Basis) – Governmental Funds and Proprietary Funds	31-32
Notes to Required Supplementary Information- Budgetary Reporting	33
OTHER SUPPLEMENTARY INFORMATION	
Governmental Nonmajor Funds:	
Schedule of Cash Receipts, Disbursements, and Changes in Cash Balances- Nonmajor Governmental Funds	34
<u>Special Revenue Funds:</u>	
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances	35-36
<u>Permanent Funds:</u>	
Combining Statement of Receipts, Disbursements, and Changes in Cash Balances	37-38
OTHER INFORMATION	
	<div style="display: flex; justify-content: flex-end;"> <div style="text-align: right; width: 100px;"><u>Table</u></div> <div style="text-align: right;"><u>Page</u></div> </div>
General Governmental Expenditures by Function	I 39
General Governmental Revenues by Source	II 40
Property Tax Levies and Collections	III 41
Taxable and Assessed Value of Taxable Property	IV 42
Property Tax Rates and Debt – Direct and Overlapping Governments	V 43
Principal Taxpayers	VI 44
Computation of Legal Debt Margin	VII 45
Ratio of Net General Bonded Debt to Assessed Value and Net Bonded Debt Per Capita	VIII 46
Ratio of Annual Debt Service Expenditures for General Bonded Debt to	
Total General Governmental Expenditures	IX 47
Property Value, Construction, and Bank Deposits	X 48
Miscellaneous Statistics	XI 49
Demographic Statistics	XII 50
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	
Schedule of Findings	51-52 53-54

**CITY OF SPENCER, IOWA
DIRECTORY OF CITY OFFICIALS AND RELATED ORGANIZATION TRUSTEES
AS OF JUNE 30, 2009**

MAYOR

Reynold L. Peterson

MAYOR PRO-TEM:

George Kruger

COUNCIL MEMBERS

George Kruger
Randy Swanson
Rich Prentice

Edward J. Krebs
Ron Hanson

Steve Bomgaars
David A. Scott

CITY MANAGER

Bob Fagen

CITY CLERK

Donna M. Fisher

CITY ATTORNEY

Donald J. Hemphill

DIRECTOR OF PUBLIC WORKS

Mark White

CHIEF OF POLICE

Mark Lawson

FIRE CHIEF

Douglas Duncan

PLANNING DIRECTOR

Kirby Schmidt

CEMETARY SUPT.

Irwin Martin

PARK

DelRay Bredehoeft

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Dwayne Sebby

GOLF COURSE CLUB HOUSE MGR.

Stacy Caskey

GOLF COURSE SUPT.

Brian Mohr

LANDFILL

Chuck Duhn

SOLID WASTE SUPERINTENDENT

Kent Herbold

LIBRARY DIRECTOR

Kay Larson

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PUBLIC SAFETY

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Randy Swanson
George Kruger

PUBLIC WORKS

David Scott, Chairperson
Rich Prentice
Ron Hanson

FINANCE & PERSONNEL

Rich Prentice, Chairperson
Steve Bomgaars
Ron Hanson

PROGRESS & DEVELOPMENT

Randy Swanson, Chairperson
Steve Bomgaars
David Scott

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Dave Hultgren
Bruce Tamisiea
Tom Howe
Murray Hart

GOLF COURSE BOARD

Larry Slota
Steve Fox
Lavonne Peterson
Paul Brenner
Sam Harper

PLANNING & ZONING COMMISSION

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Harold Robinson
Duane Willrett
Craig Wampler
Ed Nygaard
Kathy Fueston
Marjorie Eeten

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Mary Rahn
Del Brockshus
Susan Zulk
Diane Quist
Vance Frommie
Dave Woodcock

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Kevin Robinson
Rich Mishler

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Marilee Betts
Bob Fagen

AIRPORT BOARD OF TRUSTEES

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Kyle Norris
Tim Steffen
Les Hicks
Bill Hemme

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Dick Montgomery
Jason Warren
John Zinn
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Neal Conover
Kris Van Berkum
John Cotton
John Rahn

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Kirby Froehlich
Roger Green
Burdette Lorenzen
Mark Lykke
Don Baxter

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Esther Connell
Juanita Hicks
Bernard Galm
Karen Carey
Roger Littlefield
Cathy Greiner
Carol Hansen
Todd Korbitz

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Rick Dean
Jarold Krogman

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Steve McAllister
Steve Nolting

COMMUNICATION CENTER BOARD

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Ken Chalstrom
Randy Swanson
Rich Prentice
Mark Lawson
Randy Krukow

BOARDS AND COMMISSIONS – CONTINUED

HISTORIC PRESERVATION COMMISSION

Sheriffa Jones
Harry Rasdal
Bruce Lamport
John Frans
Clark Marshall
Joe Quail
Jim Morony

RENAISSANCE INITIATIVE COMMITTEE

Randy Cauthron
Mary Jean Montgomery
John Goede
Tim Kehoe
Pete Paulsen
Tom Nelson
Clinton Jones
Jill Barr
Dick Schallau

INDEPENDENT AUDITORS' REPORT

The Honorable Mayor and Members of the City Council
City of Spencer, Iowa

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Spencer, Iowa, (the City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and provisions require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

The financial statements referred to above include only the primary government of the City of Spencer, Iowa, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data of the City's legally separate component unit, Spencer Municipal Hospital, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the cash basis financial position of the reporting entity of the City of Spencer, Iowa, as of June 30, 2009, and the changes in its cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1. In accordance with accounting principles generally accepted in the United States of America, the City of Spencer, Iowa has issued separate reporting entity financial statements for which we have issued our report dated December 2, 2009.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information for the primary government of the City of Spencer, Iowa as of June 30, 2009, and the respective changes in cash basis financial position for the year then ended, in conformity with the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 2, 2009 on our consideration of the City of Spencer, Iowa's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards*, and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis and budgetary comparison information are not a required part of the basic financial statements but are supplementary information required by the Government Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The accompanying Other Supplementary Information is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the City's basic financial statements. The accompanying Other Information is presented for purposes of additional analysis and is not a required part of the financial statements of the City of Spencer, Iowa. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Williams & Company, P.C.

Certified Public Accountants

Spencer, Iowa
December 2, 2009

Management Discussion and Analysis

June 30, 2009

This discussion and analysis of the City of Spencer's financial performance provides an overview of the City's financial activities for the fiscal year ending June 30, 2009. We encourage the readers to consider the information in conjunction with the City's financial statements, which follow.

Financial Highlights:

- The City's total cash basis net assets increased \$3,266,195 from June 30, 2008 to June 30, 2009. Of this amount, the assets of the governmental activities increased \$673,612 and the assets of the business type activities increased \$2,592,583.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole and presents an overall view of the City's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to the Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the City's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor governmental funds.

Other Information provides selected ten year statistical information.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY AS A WHOLE

The Statement of Net Assets and the Statement of Activities

One of the most important questions asked about the City's finances is *"Is the City of Spencer as a whole better off or worse off as a result of the year's activities?"* The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into two kinds of activities:

- **Governmental Activities** include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property taxes and state and federal grants finance most of these activities.
- **Business Type Activities** include the waste water treatment plant, solid waste, landfill, golf course and airport. These activities are financed primarily by user charges.

REPORTING THE CITY'S MOST SIGNIFICANT FUNDS

Fund Financial Statements

The fund financial statements provide detailed information about the most significant funds – not the City as a whole. Some funds are required to be established by State law or by bond requirements. The City Council also established funds to control and manage money for particular purposes (such as construction projects) and to show that it is properly using certain receipts (such as Sales Tax Receipts). The City has the following types of funds:

- **Governmental Funds** account for most the City's basic services. These focus on how money flows into and out of those funds and the balances left at year-end that are available for spending. The governmental funds include: 1) the General Fund, 2) the Special Revenue Funds, such as Road Use Tax and Local Option Sales Tax, 3) the Debt Service Fund, 4) the Capital Projects Funds and 5) the Permanent Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental Fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

- **Proprietary Funds** account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains five Enterprise Funds to provide separate information for the sanitary sewer, solid waste, landfill, golf course, and airport funds. The sanitary sewer, solid waste, and landfill funds are considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

THE CITY AS TRUSTEE

Reporting the City's Fiduciary Responsibilities

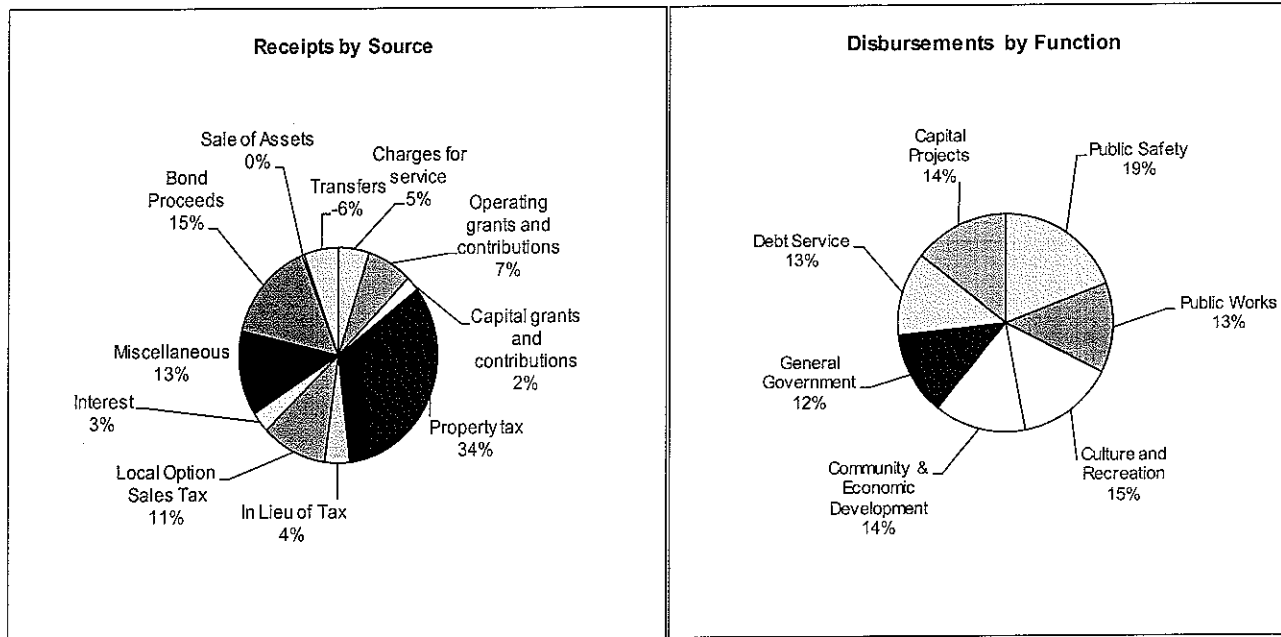
Fiduciary Funds are used to account for resources held for the benefit of parties outside the City government. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes. All of the City's fiduciary activities are reported in a separate Schedule of Changes in Fiduciary Assets and Liabilities – Agency Fund. We exclude these activities from the City's government-wide financial statements because the City cannot use these assets to finance its operations.

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found behind the Statement of Cash Receipts, Disbursements and Changes in Cash Balances – Proprietary Funds.

THE CITY AS A WHOLE

As stated earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's cash balance for governmental activities increased from a year ago, increasing from \$11,615,849 to \$12,289,460. The analysis that follows focuses on the changes in cash basis net assets of governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities		
	Year ended June 30, 2009	Year ended June 30, 2008
Receipts & Net Transfers:		
Program receipts:		
Charges for service	\$ 755,519	\$ 1,417,500
Operating grants and contributions	1,135,349	1,146,315
Capital grants and contributions	331,894	522,951
General receipts:		
Property tax	5,107,138	4,880,617
In Lieu of Tax	615,300	357,494
Local Option Sales Tax	1,631,902	1,785,440
Interest	479,729	474,723
Miscellaneous	1,932,059	734,350
Bond Proceeds	2,335,130	
Sale of Assets	50,261	15,447
Transfers	(862,111)	358,723
Total receipts	<u>13,512,170</u>	<u>11,693,560</u>
Disbursements:		
Public Safety	2,461,524	2,175,503
Public Works	1,459,165	1,523,922
Culture and Recreation	1,369,796	1,656,305
Community & Economic Development	2,776,842	1,578,325
General Government	1,465,448	1,409,325
Debt Service	1,485,111	1,413,780
Capital Projects	1,820,672	1,630,181
Total disbursements	<u>12,838,558</u>	<u>11,387,341</u>
Increase in cash basis net assets	673,612	306,219
Cash basis net assets beginning of year	<u>11,615,848</u>	<u>11,309,630</u>
Cash basis net assets end of year	<u>\$ 12,289,460</u>	<u>\$ 11,615,849</u>



Changes in Cash Basis Net Assets of Business Type Activities		
	Year ended June 30, 2009	Year ended June 30, 2008
Receipts & Net Transfers		
Program receipts:		
Charges for service:		
Sanitary Sewer	\$ 2,004,251	\$ 1,739,539
Solid Waste	1,466,970	1,493,350
Landfill	1,133,034	1,109,774
Airport	217,900	-
Golf Course	387,037	-
General receipts:		
Interest	227,406	175,547
Sale of Assets	-	97,787
Miscellaneous	63,276	79,758
Transfers	862,111	(358,723)
Total receipts	<u>6,361,985</u>	<u>4,337,032</u>
Disbursements:		
Sanitary Sewer	1,012,080	1,040,140
Solid Waste	1,534,120	1,731,698
Landfill	688,665	713,963
Airport	140,968	-
Golf Course	393,569	-
Total disbursements	<u>3,769,402</u>	<u>3,485,801</u>
Increase in cash basis net assets	2,592,583	851,231
Cash basis net assets beginning of year	<u>4,627,981</u>	<u>3,776,750</u>
Cash basis net assets end of year	<u>\$ 7,220,564</u>	<u>\$ 4,627,981</u>
The total business type activities cash balance increased from a year ago, increasing from \$4,627,981 to \$7,220,564.		

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Spencer completed the year, its governmental funds reported a combined fund balance of \$12,289,460 an increase of \$673,612 from last year's total of \$11,615,848. The following are the major reasons for the changes in fund balances of the major funds from the prior year.

- The General Fund cash balance increased \$697,868 from the prior year to \$9,907,757. This was due to an increase in loan and bond proceeds and miscellaneous revenues of \$1,146,765 and an increase in general operating of \$1,107,324. The City intends to use these cash reserve receipts to fund future capital projects.
- The Local Option Sales Tax Fund increased \$104,255 from the prior year to \$638,794. This increase was attributable to local option sales tax received exceeding disbursements.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

- The Sanitary Sewer cash balance increased \$513,489 to \$2,649,326, due primarily to an increase in reserve funds for future capital needs.
- The Solid Waste cash balance decreased \$37,420 to \$877,955, due primarily to disbursements exceeding receipts. A rate adjustment will be made in fiscal year 2009 and further rate increases are scheduled for July 2010 and July 2011.
- The Landfill cash balance increased \$1,855,794 to \$3,432,563, due primarily to an increase in reserve funds for current cell expansion, future capital needs and required closure/post closure funds.

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was done May 18, 2009. The amendment was needed to cover unplanned disbursements, including disbursements associated with projects carried over from the prior fiscal year.

The City's receipts were \$1,257,569 less than budgeted receipts, a variance of 6.7%. The most significant variance resulted from over estimating miscellaneous income.

The disbursements were \$1,607,262 less than budgeted because a capital purchase was not completed before year end.

Even with this one amendment, the City exceeded the budgeted amount in the Debt Service Program for the year ended June 30, 2009 by \$14,091.

DEBT ADMINISTRATION

At year-end the City had \$11,035,675 of debt outstanding. This is an increase of \$1,050,675 from the prior year.

Debt administration is quite conservative, with almost 90% of all City debt repaid within the next 10 years. This rapid repayment, when combined with the use of TIF and Local Option Sales Tax Revenue, has allowed the City to maintain our 1A rating. This rating is good and reflects well on our community.

The City continues to operate well under State debt capacity limitations. The State limits the amount of General Obligation Debt outstanding to 5% of the assessed value of all taxable property in the community. Thus, our debt capacity is \$31,388,798. With outstanding General Obligation Debt

applicable to this limit of \$8,945,000, we are utilizing 29% of this limit. More detailed information on debt administration is provided in Note 3 of the financial statements.

ECONOMIC FACTORS

Spencer continued to have stable construction growth during this fiscal year. Building permits in fiscal year 2008 totaled \$12,801,451. This amount shows an increase over the prior year, going against the trend throughout the country. There were 5 new commercial units constructed, as well as 13 new dwellings units. While individual residential properties may have declined slightly, the overall residential values stayed stable.

The community remains proactive in seeking opportunities to grow and expand. A joint project between Spencer Municipal Utilities and the City to purchase and develop approximately 222 acres for industrial development is progressing as scheduled, including a new spec building. This project shows the community commitment to move forward, even in tough economic times.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the office of the City Clerk at 712-580-7200.

BASIC FINANCIAL STATEMENTS

CITY OF SPENCER, IOWA
STATEMENT OF ACTIVITIES AND NET ASSETS - CASH BASIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Functions/Programs	Disbursements	Program Receipts		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
Public Safety	\$ 2,461,524	\$ 144,745	\$ 147,450	\$ 5,650
Public Works	1,459,165	51,521	938,969	-
Culture and Recreation	1,369,796	178,058	33,165	-
Community and Economic Development	2,776,842	217,356	-	6,000
General Government	1,465,448	144,153	15,765	-
Debt Service	1,485,111	-	-	-
Capital Projects	1,820,672	19,686	-	320,244
Total Governmental Activities	<u>12,838,558</u>	<u>755,519</u>	<u>1,135,349</u>	<u>331,894</u>
Business-Type Activities:				
Sanitary Sewer	1,012,080	2,004,251		
Solid Waste	1,534,120	1,466,970		
Landfill	688,665	1,133,034		
Airport	140,968	217,900		
Golf Course	393,569	387,037		
Total Business-Type Activities	<u>3,769,402</u>	<u>5,209,192</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 16,607,960</u>	<u>\$ 5,964,711</u>	<u>\$ 1,135,349</u>	<u>\$ 331,894</u>

General Receipts:

Property and Other City Tax Levied for:
 General Purposes
 Debt Service

Tax Increment Financing
In Lieu of Tax
Local Option Sales Tax
Hotel/Motel Tax
Interest

Sale of Assets
Bond Proceeds
Miscellaneous
Transfers

Total General Receipts and Transfers
Change in Cash Basis Net Assets

Cash Basis Net Assets at Beginning of Year

Cash Basis Net Assets at End of Year

Cash Basis Net Assets

Restricted:

 Debt Service
 Other Purposes

Unrestricted

Total Cash Basis Net Assets

Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
Governmental Activities	Business-Type Activities	Total
\$ (2,163,679)		\$ (2,163,679)
(468,675)		(468,675)
(1,158,573)		(1,158,573)
(2,553,486)		(2,553,486)
(1,305,530)		(1,305,530)
(1,485,111)		(1,485,111)
(1,480,742)		(1,480,742)
<u>(10,615,796)</u>		<u>(10,615,796)</u>
	\$ 992,171	992,171
	(67,150)	(67,150)
	444,369	444,369
	76,932	76,932
	(6,532)	(6,532)
	<u>1,439,790</u>	<u>1,439,790</u>
<u>(10,615,796)</u>	<u>1,439,790</u>	<u>(9,176,006)</u>
3,873,158	-	3,873,158
396,400	-	396,400
706,603	-	706,603
615,300	-	615,300
1,631,902	-	1,631,902
130,977	-	130,977
479,729	227,406	707,135
50,261	-	50,261
2,335,130	-	2,335,130
1,932,059	63,276	1,995,335
(862,111)	862,111	-
<u>11,289,408</u>	<u>1,152,793</u>	<u>12,442,201</u>
673,612	2,592,583	3,266,195
<u>11,615,848</u>	<u>4,627,981</u>	<u>16,243,829</u>
<u>\$ 12,289,460</u>	<u>\$ 7,220,564</u>	<u>\$19,510,024</u>
\$ 348,205	\$ -	\$ 348,205
2,033,498	1,713,012	3,746,511
9,907,757	5,507,552	15,415,308
<u>\$ 12,289,460</u>	<u>\$ 7,220,564</u>	<u>\$19,510,024</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS, AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	General	Local Option Sales Tax	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
Receipts						
Property Tax	\$ 2,972,629	\$ -	\$ 393,997	\$ -	\$ 873,678	\$ 4,240,304
Tax Increment Financing	-	-	-	-	706,603	706,603
Other City Tax	767,776	1,631,902	2,403	-	5,352	2,407,433
Licenses and Permits	141,446	-	-	-	-	141,446
Use of Money and Property	398,977	18,612	40,705	-	21,435	479,729
Intergovernmental	198,770	-	-	320,244	938,969	1,457,983
Charges for Services	302,273	-	-	-	9,600	311,873
Special Assessments	216,758	-	19,550	-	-	236,308
Miscellaneous	1,910,411	-	-	69,959	26,841	2,007,211
Total Receipts	<u>6,909,040</u>	<u>1,650,514</u>	<u>456,655</u>	<u>390,203</u>	<u>2,582,478</u>	<u>11,988,890</u>
Disbursements						
Operating:						
Public Safety	2,153,608	-	-	-	307,916	2,461,524
Public Works	1,395,022	-	-	-	64,143	1,459,165
Culture and Recreation	1,284,494	-	-	-	85,302	1,369,796
Community and Economic Development	1,810,034	822,013	-	-	144,795	2,776,842
General Government	803,954	-	-	-	661,494	1,465,448
Debt Service	-	-	1,485,111	-	-	1,485,111
Capital Projects	-	-	-	1,820,672	-	1,820,672
Total Disbursements	<u>7,447,112</u>	<u>822,013</u>	<u>1,485,111</u>	<u>1,820,672</u>	<u>1,263,650</u>	<u>12,838,558</u>
Excess of Receipts over Disbursements	<u>(538,072)</u>	<u>828,501</u>	<u>(1,028,456)</u>	<u>(1,430,469)</u>	<u>1,318,828</u>	<u>(849,668)</u>
Other Financing Sources (Uses)						
Bond Proceeds	245,675	-	2,089,455	-	-	2,335,130
Sale of Assets	50,261	-	-	-	-	50,261
Operating Transfers In	2,283,789	155,754	938,882	1,741,346	238,537	5,358,308
Operating Transfers Out	(1,343,785)	(880,000)	(2,362,054)	(62,854)	(1,571,726)	(6,220,419)
Total Other Financing Sources (Uses)	<u>1,235,940</u>	<u>(724,246)</u>	<u>666,283</u>	<u>1,678,492</u>	<u>(1,333,189)</u>	<u>1,523,280</u>
Net Change in Cash Balances	<u>697,868</u>	<u>104,255</u>	<u>(362,173)</u>	<u>248,023</u>	<u>(14,361)</u>	<u>673,612</u>
Cash Balances at Beginning of Year	<u>9,209,889</u>	<u>534,539</u>	<u>710,378</u>	<u>186,435</u>	<u>974,607</u>	<u>11,615,848</u>
Cash Balances at End of Year	<u>\$ 9,907,757</u>	<u>\$ 638,794</u>	<u>\$ 348,205</u>	<u>\$ 434,458</u>	<u>\$ 960,246</u>	<u>\$12,289,460</u>
Cash Basis Fund Balance						
Reserved for:						
Debt Service	\$ -	\$ -	\$ 348,205	\$ -	\$ -	\$ 348,205
Perpetual Care	-	-	-	-	312,070	312,070
Other Permanent Funds	-	-	-	-	30,750	30,750
Unreserved, Reported in:						
General Fund	9,907,757	-	-	-	-	9,907,757
Special Revenue Funds	-	638,794	-	-	556,913	1,195,707
Capital Projects Fund	-	-	-	434,458	-	434,458
Permanent Fund	-	-	-	-	60,513	60,513
Total Cash Basis Fund Balance	<u>\$ 9,907,757</u>	<u>\$ 638,794</u>	<u>\$ 348,205</u>	<u>\$ 434,458</u>	<u>\$ 960,246</u>	<u>\$12,289,460</u>

See Accompanying Notes to Financial Statements

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CITY OF SPENCER, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
PROPRIETARY FUNDS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

	Business Type Activities			
	Sanitary Sewer	Solid Waste	Landfill	Airport
Operating Receipts:				
Charges for Services	\$ 2,004,251	\$ 1,466,970	\$ 1,133,034	\$ 217,900
Miscellaneous	6,610	38,227	9,431	253
Total Operating Receipts	<u>2,010,861</u>	<u>1,505,197</u>	<u>1,142,465</u>	<u>218,153</u>
Operating Disbursements:				
Salaries	164,947	578,880	181,342	14,818
Payroll Taxes and Employee Benefits	44,717	258,105	89,953	3,648
Repairs and Maintenance	24,946	73,681	40,586	56,658
Utilities	1,262	18,119	4,696	-
Contract Services	726,614	13,883	51,193	36,357
Insurance Premiums	16,097	19,442	17,361	-
Gas and Oil	4,278	101,252	65,369	-
Supplies	8,519	49,663	12,030	23,352
Staff Development	-	-	-	6,135
Capital Outlay	160	90,000	31,532	-
Landfill Charges	-	310,554	-	-
Collection Fee	20,540	20,540	-	-
Total Operating Disbursements	<u>1,012,080</u>	<u>1,534,120</u>	<u>494,062</u>	<u>140,968</u>
Excess of Operating Receipts over Operating Disbursements	998,781	(28,923)	648,403	77,185
Non-Operating Receipts (Disbursements):				
Interest Income	93,722	40,852	86,332	-
Interest Expense	-	-	(69,203)	-
Principal	-	-	(125,000)	-
Bond Fees	-	-	(400)	-
Total Non-Operating Receipts (Disbursements)	<u>93,722</u>	<u>40,852</u>	<u>(108,271)</u>	<u>-</u>
Excess of Receipts over Disbursements	1,092,503	11,929	540,132	77,185
Other Financing Sources (Uses)				
Operating Transfers In	230,602	-	1,484,871	129,624
Operating Transfers Out	(809,616)	(49,349)	(169,209)	-
Total Other Financing Sources (Uses)	<u>(579,014)</u>	<u>(49,349)</u>	<u>1,315,662</u>	<u>129,624</u>
Net Change in Cash Balances	513,489	(37,420)	1,855,794	206,809
Cash Balances at Beginning of Year	<u>2,135,837</u>	<u>915,375</u>	<u>1,576,769</u>	<u>-</u>
Cash Balances at End of Year	<u>\$ 2,649,326</u>	<u>\$ 877,955</u>	<u>\$ 3,432,563</u>	<u>\$ 206,809</u>
Cash Basis Fund Balance				
Reserved for:				
Closure and/or Postclosure Care	\$ -	\$ 14,652	\$ 1,265,623	\$ -
Debt Service	-	-	239,917	-
Landfill Recycling and Planning	-	-	192,820	-
Unreserved	2,649,326	863,303	1,734,203	206,809
Total Cash Basis Fund Balance	<u>\$ 2,649,326</u>	<u>\$ 877,955</u>	<u>\$ 3,432,563</u>	<u>\$ 206,809</u>

Golf Course	Total
\$ 387,037	5,209,192
8,755	63,276
<u>395,792</u>	<u>5,272,468</u>
168,788	1,108,775
57,336	453,759
45,743	241,614
-	24,076
17,358	845,405
-	52,900
-	170,899
84,530	178,094
720	6,855
19,095	140,786
-	310,554
-	41,080
<u>393,569</u>	<u>3,574,799</u>
2,223	1,697,669
6,500	227,406
-	(69,203)
-	(125,000)
-	(400)
<u>6,500</u>	<u>32,803</u>
8,723	1,730,472
45,188	1,890,285
-	(1,028,174)
<u>45,188</u>	<u>862,111</u>
53,911	2,592,583
-	4,627,981
<u>\$ 53,911</u>	<u>\$ 7,220,564</u>
\$ -	\$ 1,280,275
-	239,917
-	192,820
53,911	5,507,552
<u>\$ 53,911</u>	<u>\$ 7,220,564</u>

See Accompanying Notes to Financial Statements

CITY OF SPENCER, IOWA
STATEMENT OF CASH RECEIPTS, DISBURSEMENT AND CHANGES IN CASH BALANCES
AGENCY FUND
AS OF AND FOR THE YEAR ENDED JUNE 30, 2009

Additions:

Use of Money and Property	\$ 21,769
Charges for Services	8,700
Miscellaneous	<u>30,483</u>
Total Additions	<u>60,952</u>

Deductions:

General Government	<u>14,685</u>
Total Deductions	<u>14,685</u>

Net Change in Cash Balances 46,267

Cash Balances at Beginning of Year 710,746

Cash Balances at End of Year \$ 757,013

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

- A. The City of Spencer, Iowa, is a political subdivision of the State of Iowa, located in Clay County. It was first incorporated in 1880, and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens, including public safety, public works, culture, recreation, public improvements, and general administrative services.

Reporting Entity -- For financial reporting purposes, the City has included all funds, organizations, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body, and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to, or impose specific financial burdens on the City.

Based on the application of the criteria set forth by the Governmental Accounting Standards Board, management has determined that the Spencer Municipal Hospital (SMH) is a component unit of the City. Financial information for SMH has not been reported in the City's financial statements. Accordingly, these financial statements present the activities of the primary government only and are not a complete presentation in accordance with generally accepted accounting principles. Spencer Municipal Hospital's financial statements can be obtained at their administrative offices or at City Hall.

The Spencer Municipal Utilities (SMU) provides electric and water utility services to the citizens of Spencer. SMU is not considered a component unit of the City because it does not meet the criteria stated above. Currently, SMU made voluntary payments of \$615,300 in lieu of property tax payments to the City.

Jointly Governed Organizations -- The City also participates in several jointly governed organizations for which the City is not financially accountable or that the nature and significance of the relationship with the City are such that exclusion does not cause the City's financial statements to be misleading or incomplete.

- B. Basis of Presentation

Government-wide Financial Statements -- The Statement of Activities and Net Assets reports information on all of the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for services.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. The City's net assets are reported in two categories:

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Restricted net assets results when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and 2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program receipts are reported instead as general receipts.

The City does not allocate indirect costs.

This government-wide focus is more on the sustainability of the City as an entity and the change in the City's net assets resulting from the current year's activities.

- C. Fund Accounting -- Separate financial statements are provided for governmental and proprietary funds. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds. The City reports the following major governmental and proprietary funds:

General Fund -- The General Fund is used to account for all financial transactions not properly included in other funds. It serves as the general operating fund of the City and derives its major revenues from property taxes, licenses and permits, state allocation, and charges for services. The expenditures of the General Fund are categorized as follows:

Public Safety -- Activities related to public safety include police protection, fire protection, and the communication center.

Public Works -- Activities related to public works include roadway construction and maintenance, transportation services, street lighting, and airport operations.

Culture and Recreation -- Activities related to culture and recreation include parks and recreation, aquatic center, library, and golf course operations.

Community and Economic Development -- Activities related to community and economic development include community beautification, housing and urban renewal, planning and zoning, and economic development operations.

General Government -- Activities related to general government include City Council activities, legal services, and executive and financial administration and support services.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Special Revenue Fund – Local Option Sales Tax – The Local Option Sales Tax Fund is used to account for the revenues from the tax authorized by referendum and used for capital improvements, equipment, community programs and services.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general long-term debt principal and interest. General property taxes or tax increment financing and fund transfers are to provide the revenues for the debt service payments.

Capital Projects Fund -- The Capital Projects Fund is used to account for the accumulation of resources for, and the payment of, expenditures related to various capital projects.

Enterprise Funds -- The Enterprise Funds are used to finance and account for the acquisition, operation, and maintenance of governmental facilities and services that are supported by user charges. The following are the Enterprise Funds:

Sanitary Sewer – To account for the operation of a municipally owned waste water treatment plant and collection system. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, waste water treatment, handling and supporting services, capital outlay, and debt service.

Solid Waste – To account for the operation of municipally owned garbage collection and disposal service.

Landfill – To account for the operation of municipally owned landfill.

Airport - To account for the operation of municipally owned airport.

Golf Course – To account for the operation of municipally owned golf course.

D. Measurement Focus and Basis of Accounting

The City of Spencer maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City of Spencer funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then by general receipts.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information. During the year ended June 30, 2009, disbursements exceeded the amounts budgeted in the Debt Service function.

Note 2 – CASH AND POOLED INVESTMENTS

The City deposits in banks at June 30, 2009, were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This Chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

The reconciliation of cash and cash equivalents and temporary cash and pooled investments for the City at June 30, 2009 is as follows:

Cash and Cash Equivalents	\$ 15,015,308
Certificates of Deposit	400,000
Restricted Cash and Cash Equivalents	<u>4,094,716</u>
	<u>\$ 19,510,024</u>

Interest rate risk- The City's investment policy limits the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City.

Credit risk- The City's investments in Certificates of Deposit are unrated.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 – LONG-TERM DEBT

General Obligation Bonds/Notes

The City's computed legal debt limit as of June 30, 2009 is \$31,388,798 of which \$8,596,795 is committed for outstanding general obligation debt.

The following is a summary of bond transactions of the City for the year ended June 30, 2009:

	<u>General Obligation</u>
Bonds/Notes Payable – July 1, 2008	\$ 7,990,000
Add Bonds/Notes Issued	2,100,000
Less Bonds/Notes Retired	<u>(1,145,000)</u>
Bonds/Notes Payable – June 30, 2009	<u>\$ 8,945,000</u>

General obligation bonds/notes are direct obligations and pledge the full faith and credit of the government. General obligation bonds/notes currently outstanding are as follows:

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/09
Bond E	5/2001	4.68 %	2012	\$1,170,000	\$ 405,000
Bond T	2/1999	5.85 %	2010	\$ 310,000	\$ 40,000
Bond G	11/2003	3.98 %	2018	\$1,900,000	\$1,315,000
Bond C Refunding	10/2004	3.28 %	2012	\$1,520,000	\$ 360,000
Improvement Bond	5/2005	4.02 %	2018	\$1,485,000	\$1,095,000
Landfill Cell Bond	9/2006	3.989 %	2012	\$ 780,000	\$ 370,000
Corporate Purpose	10/2006	4.12 %	2017	\$2,140,000	\$1,820,000
WTP Land Bond	1/2007	4.410 %	2026	\$ 655,000	\$ 615,000
Street Imp. Bond	6/2007	4.074 %	2017	\$ 515,000	\$ 390,000
Street Project Notes	12/2008	2.15%	2010	\$ 750,000	\$ 750,000
LF Post Closure	12/2008	3.63%	2018	\$1,350,000	\$1,350,000
Hy-Vee TIF Rev	5/2007	6.00%	2018	\$ 470,000	\$ 435,000

The annual requirements to amortize the general obligations bonds/notes outstanding as of June 30, 2009, are as follows:

	<u>General Obligation</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 2,065,000	\$ 340,004
2011	1,055,000	276,003
2012	1,005,000	236,119
2013	715,000	197,444
2014	750,000	155,406
2015 -2019	3,045,000	398,847
2020 -2024	210,000	50,495
2025 -2026	<u>100,000</u>	<u>6,615</u>
	<u>\$ 8,945,000</u>	<u>\$ 1,660,933</u>

The Debt Service Fund has \$348,205 available to service the General Obligation Bonds.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 3 – LONG-TERM DEBT (Continued)

Revenue Bonds

The following is a summary of revenue bond transactions of the City for the year ended June 30, 2009:

	<u>Revenue Bonds</u>
Revenue Bonds Payable – July 1, 2008	\$ 1,645,000
Add Bonds Issued	245,675
Less Bonds Retired	<u>(125,000)</u>
Revenue Bonds Payable – June 30, 2009	\$ <u>1,765,675</u>

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/09
Bond L	11/2004	4.48 %	2019	\$2,120,000	\$1,520,000
SRF 2008 CSI Study	6/2008	0.00 %	Open	\$1,000,000	\$ 245,675

The annual requirements to amortize the revenue bonds outstanding as of June 30, 2009, are as follows:

	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2010	\$ 370,675	\$ 65,078
2011	130,000	60,703
2012	135,000	55,893
2013	140,000	50,628
2014	145,000	44,958
2015 -2019	<u>845,000</u>	<u>121,903</u>
	\$ <u>1,765,675</u>	\$ <u>399,163</u>

Other Long-Term Debt

The following is a summary of other long-term debt transactions of the City for the year ended June 30, 2009:

	<u>Other Long- Term Debt</u>
Other Long-Term Debt Payable – July 1, 2008	\$ 350,000
Add Other Long-Term Debt Issued	-
Less Other Long-Term Debt Retired	<u>(25,000)</u>
Other Long-Term Debt Payable – June 30, 2009	\$ <u>325,000</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 3 – **LONG-TERM DEBT** (Continued)

On June 30, 2009, the City had the following other long-term debt:

Issuance	Date Of Issuance	Interest Rate	Final Due Date	Amount Originally Issued	Outstanding 06/30/09
SMU- Shine Loan	11/2006	0.00 %	2021	\$375 000	\$325 000

The Spencer Municipal Utilities \$375,000 loan is retired through loan receivable payments from Shine Brothers.

The maturities and payment components of the other long-term debt as of June 30, 2009, are as follows:

	<u>Governmental Activities</u>	
	Principal	Interest
2010	25,000	-
2011	25,000	-
2012	25,000	-
2013	25,000	-
2014	25,000	-
2015- 2019	125,000	-
2020 - 2022	<u>75,000</u>	-
	<u>\$ 325,000</u>	<u>\$ -</u>

In February 2009, the City entered into a loan agreement with the Iowa Finance Authority in the amount of \$885,000 for the purpose of paying the cost of closing cells at the City's landfill. As of June 30, 2009, the City had not drawn on this loan.

In June 2009, the City issued \$1,000,000 in General Obligation Urban Renewal Street Improvement Bond Anticipation Notes to finance street, sewer, and water improvements at the Green Industrial Park. As of June 30, 2009 the City had not drawn on this note.

Changes in Long-Term Liabilities

Long-Term liability activity for the year ended June 30, 2009, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Primary Government:					
Governmental Activities:					
General Obligation	\$ 7,990,000	\$ 2,100,000	\$ 1,145,000	\$ 8,945,000	\$ 2,065,000
Notes Payable	<u>350,000</u>	<u>-</u>	<u>25,000</u>	<u>325,000</u>	<u>25,000</u>
Governmental Activity Long-Term Liabilities	<u>\$ 8,340,000</u>	<u>\$ 2,100,000</u>	<u>\$ 1,170,000</u>	<u>\$ 9,270,000</u>	<u>\$ 2,090,000</u>
Business-Type Activities:					
Revenue Bonds	\$ 1,645,000	\$ 245,675	\$ 125,000	\$ 1,765,675	\$ 125,000
Business-Type Activity Long-Term Liabilities	<u>\$ 1,645,000</u>	<u>\$ 245,675</u>	<u>\$ 125,000</u>	<u>\$ 1,765,675</u>	<u>\$ 125,000</u>

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 4 – RESTRICTED NET ASSETS

Cash is restricted for the following purposes:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Debt Service	\$ 348,205	\$ 239,917	\$ 588,122
Perpetual Care	312,070	-	\$ 312,070
Other Permanent Funds	91,263	-	\$ 91,263
Closure and/or Postclosure Care	-	1,280,275	\$ 1,280,275
Landfill Recycling and Planning	-	192,820	\$ 192,820
Special Revenue Funds	1,195,707	-	\$ 1,195,707
Capital Projects	434,459	-	\$ 434,459
Total	\$ 2,381,704	\$ 1,713,012	\$ 4,094,716

Note 5 - COMPENSATED ABSENCES

City employees accumulate a limited amount of earned but unused vacation, sick leave, and holiday hours for subsequent use or for payment upon termination, retirement or death. These accumulations are not recognized as disbursements by the City until used or paid. The City's approximate liability for earned vacation and sick leave payable to employees at June 30, 2009, primarily relating to the General Fund, is as follows:

<u>Type of Benefit</u>	<u>Amount</u>
Vacation	\$ 305,264
Sick Leave	371,685
Holiday	<u>36,852</u>
Total	<u>\$ 713,801</u>

This liability has been computed based on rates of pay in effect at June 30, 2009.

Note 6 – AIRPORT LEASE AGREEMENTS

The City of Spencer and Randy Vander Weide entered into a five-year fixed based operator lease agreement to provide service at the airport, beginning July 1, 2004. Either party may terminate the lease, effective six months after notification. The terms of the lease include monthly rent of \$2,800 for use of various facilities.

The City of Spencer and Spencer Avionics, Inc. have entered into a facilities lease agreement under which Spencer Avionics, Inc. leases from the City certain space in the north hangar at the Spencer Municipal Airport. The lease is effective from July 1, 2008 through June 2048. During the year ended June 30, 2009, rent receipts totaled \$11,902.50.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 6 – AIRPORT LEASE AGREEMENTS (Continued)

On March 13, 2006, the City of Spencer and CAMM Air entered into a facilities lease agreement under which CAMM Air leases from the City certain space at the Spencer Municipal Airport for \$1,200 per year. The lease is effective for March 13, 2006 through June 2105. During the year ended June 30, 2009, rent receipts totaled \$1,200.

The City of Spencer and Maurer Manufacturing, Inc. have entered into a facilities lease agreement under which Maurer Manufacturing, Inc. leases from the City certain space in the east-facing hangar at the Spencer Municipal Airport for \$1,200 per month. During the year ended June 30, 2009, rent income totaled \$35,120.

The minimum future rentals on the above operating leases for the next twelve months as of June 30, 2009, are \$91,777.

Note 7 – PENSION AND RETIREMENT BENEFITS

The City contributes to the Iowa Public Employees Retirement System (IPERS) which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to IPERS, PO Box 9117, Des Moines, IA 50306-9117.

Most regular plan members are required to contribute 4.10% of their annual covered salary and the City is required to contribute 6.35% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute.

The City's contributions to IPERS for the years ended June 30, 2009, 2008 and 2007 were as follows:

	June 30, 2009	June 30, 2008	June 30, 2007
City's Contribution	\$ 176,474	\$ 161,798	\$ 140,509
Percentage Funded of Required Contribution	<u>100.0%</u>	<u>100.0%</u>	<u>100.0%</u>

The City contributes to the Municipal Fire and Police Retirement System of Iowa (the Plan), which is a cost-sharing, multiple-employer defined benefit pension plan administered by a Board of Trustees. The Plan provides retirement, disability, and death benefits which are established by state statute to plan members and beneficiaries. The Plan issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to Municipal Fire and Police Retirement System of Iowa, 2836 104th Street, Urbandale, Iowa 50322.

Plan members are required to contribute 9.35% of earned compensation and the City's contribution rate may not be less than 17.00% of earnable compensation. Contribution requirements are established by state statute. The City's contribution to the Plan for the years ended June 30, 2009, 2008, and 2007 were as follows:

	June 30, 2009	June 30, 2008	June 30, 2007
City's Contribution	\$ 232,310	\$ 251,398	\$ 289,687
Percentage Funded of Required Contribution	100.0%	100.0%	100.0%

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 8- OTHER POSTEMPLOYMENT BENEFITS (OPEB)

The City implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers or Postemployment Benefits other Than Pensions during the year ended June 30, 2009.

Plan Description- The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 87 active and 6 retired members in the plan. Participants must be age 55 or older at retirement.

Funding Policy- The City currently finances the retiree benefit plan on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation – The City's annual OPEB cost is calculated based on the annual required contribution (ARC) of the City, an amount actuarially determined in accordance with GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year ended June 30, 2009, the amount actually contributed to the plan and changes in the City's net OPEB obligation:

Annual required contribution	\$ 72,603
Interest on net OPEB obligation	-
Adjustment to annual required contribution	-
Annual OPEB cost	72,603
Contributions made	<u>(43,525)</u>
Increase in net OPEB obligation	29,078
Net OPEB obligation beginning of year	-
Net OPEB obligation end of year	<u>\$29,078</u>

For the year ended June 30, 2009, the City contributed \$43,525 to the medical plan.

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation as of June 30, 2009 are summarized as follows:

Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2009	\$ 72,603	59.9%	\$ 29,078

Funded Status and Funding Progress- As of July 1, 2008, the most recent actuarial valuation date for the period July 1, 2008 through June 30, 2009, the actuarial accrued liability was \$656,295, with no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$656,295. The covered payroll (annual payroll of active employees covered by the plan) was N/A and the ratio of the UAAL to covered payroll was N/A. As of June 30, 2009, there were no trust fund assets.

CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009

Note 8- OTHER POSTEMPLOYMENT BENEFITS (OPEB) (Continued)

Actuarial Methods and Assumptions- Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumption about future employment, mortality and the health care cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information in the section following the Notes to Financial Statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the plan as understood by the employer and the plan members and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

As of the July 1, 2008 actuarial valuation date, the Alternate Measurement Method was used. The actuarial assumptions includes a 4% discount rate based on the City's funding policy. The projected annual medical trend rate is 10%. The ultimate medical trend rate is 4.5%. The medical trend rate is reduced 0.5% each year until reaching the 4.5% ultimate trend rate.

Mortality rates are from the RP2000 Group Annuity Mortality Table, applied on a gender-specific basis. The salary increase rate was assumed to be 3% per year. The UAAL is being amortized as a level percentage of projected payroll expense on an open basis over 30 years.

Note 9 – RISK FINANCING

The City is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. These risks are covered by the purchase of commercial insurance. The City assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 10 – INDUSTRIAL DEVELOPMENT REVENUE BONDS

The City has issued a total of \$22,640,000 of industrial development revenue bonds in prior years under the provisions of Chapter 419 of the Code of Iowa. The balances outstanding at June 30, 2009, cannot be approximated since the various companies do not provide this information to the City. The bonds and related interest are payable solely from the rents payable by tenants of the properties constructed, and the bond principal and interest do not constitute liabilities of the City.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 11 – CONSTRUCTION COMMITMENTS

The City has entered into contracts totaling \$2,334,141 for various capital projects. As of June 30, 2009, disbursements totaled \$720,344. The remaining \$1,613,797 will be paid as work on the projects progresses.

Note 12 – LANDFILL CLOSURE/POST CLOSURE CARE COSTS

To comply with federal and state regulations, the City is required to complete a monitoring system plan and a closure/postclosure plan and to provide funding necessary to effect closure and post closure, including the proper monitoring and care of the landfill after closure. Environmental Protection Agency (EPA) requirements have established closure and thirty-year care requirements for all municipal solid waste landfills that receive waste after October 9, 1993. State governments are primarily responsible for implementation and enforcement of those requirements and have been given flexibility to tailor requirements to accommodate local conditions that exist. The effect of the EPA requirement is to commit landfill owners to perform certain closing functions and postclosure monitoring functions as a condition for the right to operate the landfill in the current period. The EPA requirements provide that when a landfill stops accepting waste, it must be covered with a minimum of twenty-four inches of earth to keep liquid away from the buried waste. Once the landfill is closed, the owner is responsible for maintaining the final cover, monitoring ground water and methane gas, and collection and treating leachate (the liquid that drains out of waste) for thirty years.

Governmental Accounting Standards Board Statement No. 18 requires landfill owners to estimate total landfill closure and postclosure care costs and recognize a portion of these costs each year based on the percentage of estimated total landfill capacity used that period. Estimated total costs consist of four components: (1) the cost of equipment and facilities used in postclosure monitoring and care, (2) the cost of final cover (material and labor), (3) the cost of monitoring the landfill during the postclosure period and (4) the cost of any environmental cleanup required after closure. Estimated total cost is based on the cost to purchase those services and equipment currently and is required to be updated annually due to the potential for changes due to inflation or deflation, technology or applicable laws or regulations.

These costs for the City have been estimated to be \$795,000 for closure and \$1,260,000 for postclosure, for a total of \$2,055,000 as of June 30, 2009. Currently the estimated remaining life of the landfill is 3-4 months with approximately 92 percent of the landfill's capacity used at June 30, 2009.

Chapter 455B.306(9)(b) of the Code of Iowa requires permit holders of municipal solid waste landfills to maintain separate closure and postclosure accounts to accumulate resources for the payment of closure and postclosure care costs. The City has begun to accumulate resources to fund these costs and, at June 30, 2009, assets of \$1,265,624 are restricted for these purposes.

Also, pursuant to Chapter 567-111.3(3) of the Iowa Administrative Code (IAC), since the estimated closure and post closure care costs are not fully funded, the City is required to demonstrate financial assurance for the unfunded costs. The City has adopted the dedicated fund mechanism and has an additional \$885,000 available from a State Revolving Fund loan in order to fully fund the requirements for closure and postclosure pursuant to IAC 567 113.14(3) and 113.14(4).

As of June 30, 2009, the City had a balance in the closure/postclosure dedicated fund in the amount of \$2,150,624.

**CITY OF SPENCER, IOWA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009**

Note 13 - SUBSEQUENT EVENTS

In August 2009, the City entered into a forgivable loan agreement in a amount of \$397,000 for the purpose of paying the cost of constructing improvements at the waste treatment plant and for the cost of the digester.

In August 2009, the City entered in to a loan agreement in a amount of \$1,603,000 for the purpose of paying the cost of constructing improvements at the waste treatment plant and for the cost of the digester.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF SPENCER, IOWA
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES
BUDGET AND ACTUAL (CASH BASIS)
ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUNDS
REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2009

	Governmental Funds Actual	Proprietary Funds Actual	Total Actual
Receipts			
Property Tax	\$ 4,240,304	\$ -	\$ 4,240,304
Tax Increment Financing	706,603	-	706,603
Other City Tax	2,407,433	-	2,407,433
Licenses and Permits	141,446	-	141,446
Use of Money and Property	479,729	227,406	707,135
Intergovernmental	1,457,983	-	1,457,983
Charges for Services	311,873	5,209,192	5,521,065
Special Assessments	236,308	-	236,308
Miscellaneous	2,007,211	63,276	2,070,487
Total Receipts	<u>11,988,890</u>	<u>5,499,874</u>	<u>17,488,764</u>
Disbursements			
Public Safety	2,461,524	-	2,461,524
Public Works	1,459,165	-	1,459,165
Culture and Recreation	1,369,796	-	1,369,796
Community and Economic Development	2,776,842	-	2,776,842
General Government	1,465,448	-	1,465,448
Debt Service	1,485,111	-	1,485,111
Capital Projects	1,820,672	-	1,820,672
Business Type Activities	-	3,769,402	3,769,402
Total Disbursements	<u>12,838,558</u>	<u>3,769,402</u>	<u>16,607,960</u>
Excess (Deficiency) of Receipts Over Disbursements	(849,668)	1,730,472	880,804
Other Financing Sources (Uses)			
Proceeds of Debt	2,335,130	-	2,335,130
Proceeds from Sale of Fixed Assets	50,261	-	50,261
Operating Transfers From Other Funds	5,358,308	1,890,285	7,248,593
Operating Transfers to Other Funds	(6,220,419)	(1,028,174)	(7,248,593)
Total Other Financing Sources (Uses)	<u>1,523,280</u>	<u>862,111</u>	<u>2,385,391</u>
Excess (Deficiency) of Receipts and Other Financing Sources Over (Under) Disbursements and Other Financing Uses	673,612	2,592,583	3,266,195
Balances at Beginning of Year	<u>11,615,848</u>	<u>4,627,981</u>	<u>16,243,829</u>
Balances at End of Year	<u>\$ 12,289,460</u>	<u>\$ 7,220,564</u>	<u>\$ 19,510,024</u>

Budget		Final to
Original	Final	Actual
		Variance
\$ 4,219,506	\$ 4,219,506	\$ 20,798
703,566	703,566	3,037
1,758,545	1,758,545	648,888
50,250	50,250	91,196
370,000	370,000	337,135
2,183,831	2,213,831	(755,848)
6,031,642	6,036,642	(515,577)
360,798	360,798	(124,490)
608,195	3,033,195	(962,708)
<u>16,286,333</u>	<u>18,746,333</u>	<u>(1,257,569)</u>
2,606,966	2,646,966	185,442
1,327,520	1,587,520	128,355
1,532,582	1,555,582	185,786
1,296,122	3,676,122	899,280
1,859,920	1,964,920	499,472
1,471,020	1,471,020	(14,091)
2,058,350	2,058,350	237,678
4,422,311	4,512,311	742,909
<u>16,574,791</u>	<u>19,472,791</u>	<u>2,864,831</u>
(288,458)	(726,458)	1,607,262
-	-	2,335,130
-	-	50,261
5,793,534	5,793,534	1,455,059
<u>(5,793,534)</u>	<u>(5,793,534)</u>	<u>(1,455,059)</u>
<u>-</u>	<u>-</u>	<u>2,385,391</u>
(288,458)	(726,458)	3,992,653
<u>16,243,829</u>	<u>16,243,829</u>	<u>-</u>
<u>\$ 15,955,371</u>	<u>\$ 15,517,371</u>	<u>\$ 3,992,653</u>

See Accompanying Independent Auditor's Report

CITY OF SPENCER, IOWA
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION – BUDGETARY REPORTING
JUNE 30, 2009

The budgetary comparison is presented as Required Supplementary Information in accordance with Government Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Fiduciary Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund or fund type. These nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursement for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Project Fund, and Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund. During the year, one budget amendment increased budgeted disbursements by \$2,898,000. These budget amendments are reflected in the final budgeted amounts.

During the year ended June 30, 2009, disbursements in the Debt Service function exceeded the amount budgeted.

OTHER SUPPLEMENTARY INFORMATION

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CITY OF SPENCER, IOWA
SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Nonmajor Special Revenue Funds	Nonmajor Permanent Funds	Total Governmental Nonmajor Funds
Receipts			
Property Tax	\$ 873,678	\$ -	\$ 873,678
Tax Increment Financing	706,603	-	706,603
Other City Tax	5,352	-	5,352
Use of Money and Property	16,445	4,990	21,435
Intergovernmental	938,969	-	938,969
Charges for Services	-	9,600	9,600
Miscellaneous	26,341	500	26,841
Total Receipts	<u>2,567,388</u>	<u>15,090</u>	<u>2,582,478</u>
Disbursements			
Public Safety	307,916	-	307,916
Public Works	64,143	-	64,143
Culture and Recreation	85,127	175	85,302
Community and Economic Development	142,681	2,114	144,795
General Government	661,494	-	661,494
Total Disbursements	<u>1,261,361</u>	<u>2,289</u>	<u>1,263,650</u>
Excess of Receipts Over Disbursements	1,306,027	12,801	1,318,828
Other Financing Sources (Uses)			
Operating Transfers In	238,537	-	238,537
Operating Transfers Out	(1,571,726)	-	(1,571,726)
Total Other Financing Sources (Uses)	<u>(1,333,189)</u>	<u>-</u>	<u>(1,333,189)</u>
Net Change in Cash Balances	(27,162)	12,801	(14,361)
Cash Balances at Beginning of Year	<u>584,075</u>	<u>390,532</u>	<u>974,607</u>
Cash Balances at End of Year	<u>\$ 556,913</u>	<u>\$ 403,333</u>	<u>\$ 960,246</u>
Cash Basis Fund Balance			
Reserved for:			
Perpetual Care	\$ -	\$ 312,070	\$ 312,070
Other	-	30,750	30,750
Unreserved	556,913	60,513	617,426
Total Cash Basis Fund Balance	<u>\$ 556,913</u>	<u>\$ 403,333</u>	<u>\$ 960,246</u>

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL NONMAJOR FUNDS - SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Road Use Tax	T.I.F.	SSMID	Police Retirement Systems	Civil Service Expenses	Police Special Proceeds
Receipts						
Property Tax	\$ -	\$ -	\$ 73,545	\$ 192,512	\$ 9,681	\$ -
Tax Increment Financing	-	706,603	-	-	-	-
Other City Tax	-	-	-	1,288	65	-
Use of Money and Property	-	1,364	-	12,513	-	-
Intergovernmental	938,969	-	-	-	-	-
Miscellaneous	-	-	-	-	2,304	1,248
Total Receipts	<u>938,969</u>	<u>707,967</u>	<u>73,545</u>	<u>206,313</u>	<u>12,050</u>	<u>1,248</u>
Disbursements						
Public Safety	-	-	-	183,637	10,615	2,851
Public Works	-	-	-	-	-	-
Culture and Recreation	-	-	-	-	-	-
Community and Economic Development	-	90,040	52,641	-	-	-
General Government	-	-	-	-	-	-
Total Disbursements	<u>-</u>	<u>90,040</u>	<u>52,641</u>	<u>183,637</u>	<u>10,615</u>	<u>2,851</u>
Excess (Deficiency) of Receipts Over (Under) Disbursements	938,969	617,927	20,904	22,676	1,435	(1,603)
Other Financing Sources (Uses)						
Operating Transfers In	-	-	-	-	94	-
Operating Transfers Out	(938,969)	(622,145)	-	-	-	(94)
Total Other Financing Sources (Uses)	<u>(938,969)</u>	<u>(622,145)</u>	<u>-</u>	<u>-</u>	<u>94</u>	<u>(94)</u>
Net Change in Cash Balances	-	(4,218)	20,904	22,676	1,529	(1,697)
Cash Balances at Beginning of Year	-	48,828	10,643	211,671	687	11,849
Cash Balances at End of Year	<u>\$ -</u>	<u>\$ 44,610</u>	<u>\$ 31,547</u>	<u>\$ 234,347</u>	<u>\$ 2,216</u>	<u>\$ 10,152</u>

Fire Pension Accumulation	Federal and State Retirement	Workers' Compensation Insurance	Trees Forever	Unemployment Insurance Claims	Group Medical/Life Insurance	Total
\$ 46,328	\$ 11,282	\$ 43,047	\$ -	\$ 31,525	\$ 465,758	\$ 873,678
-	-	-	-	-	-	706,603
310	75	288	-	211	3,115	5,352
2,023	-	-	545	-	-	16,445
-	-	-	-	-	-	938,969
-	15,765	736	6,288	-	-	26,341
48,661	27,122	44,071	6,833	31,736	468,873	2,567,388
48,673	62,140	-	-	-	-	307,916
-	64,143	-	-	-	-	64,143
-	85,127	-	-	-	-	85,127
-	-	-	-	-	-	142,681
-	49,684	40,429	-	28,366	543,015	661,494
48,673	261,094	40,429	-	28,366	543,015	1,261,361
(12)	(233,972)	3,642	6,833	3,370	(74,142)	1,306,027
-	237,537	-	-	-	1,000	238,631
-	(10,612)	-	-	-	-	(1,571,820)
-	226,925	-	-	-	1,000	(1,333,189)
(12)	(7,047)	3,642	6,833	3,370	(73,142)	(27,162)
60,990	44,550	90,725	16,136	876	87,120	584,075
\$ 60,978	\$ 37,503	\$ 94,367	\$ 22,969	\$ 4,246	\$ 13,978	\$ 556,913

CITY OF SPENCER, IOWA
COMBINING STATEMENT OF RECEIPTS, DISBURSEMENTS AND CHANGES IN CASH BALANCES
GOVERNMENTAL NONMAJOR FUNDS - PERMANENT FUNDS
FOR THE YEAR ENDED JUNE 30, 2009

	Cemetery Perpetual Care Fund	Riverside Cemetery Memorial Trust	Columbarium Vault Fund	Northlawn Perpetual Care Fund	Griffin Trust Fund
Receipts					
Use of Money and Property	\$ -	\$ 283	\$ -	\$ 1,960	\$ 2,168
Charges for Services	8,500	-	-	1,100	-
Miscellaneous	-	-	500	-	-
Total Receipts	<u>8,500</u>	<u>283</u>	<u>500</u>	<u>3,060</u>	<u>2,168</u>
Disbursements					
Culture and Recreation	-	175	-	-	-
Community and Economic Development	-	-	-	-	2,114
Total Disbursements	<u>-</u>	<u>175</u>	<u>-</u>	<u>-</u>	<u>2,114</u>
Excess of Receipts Over Disbursements	8,500	108	500	3,060	54
Cash Balances at Beginning of Year	<u>241,229</u>	<u>9,069</u>	<u>2,300</u>	<u>56,481</u>	<u>64,374</u>
Cash Balances at End of Year	<u>\$ 249,729</u>	<u>\$ 9,177</u>	<u>\$ 2,800</u>	<u>\$ 59,541</u>	<u>\$ 64,428</u>
Cash Basis Fund Balance					
Reserved for:					
Perpetual Care	\$ 249,729	\$ -	\$ 2,800	\$ 59,541	\$ -
Other	-	2,550	-	-	20,000
Unreserved	-	6,627	-	-	44,428
Total Cash Basis Fund Balance	<u>\$ 249,729</u>	<u>\$ 9,177</u>	<u>\$ 2,800</u>	<u>\$ 59,541</u>	<u>\$ 64,428</u>

Leach Park Trust Fund	Total
\$ 579	\$ 4,990
-	9,600
-	500
<u>579</u>	<u>15,090</u>
-	175
-	2,114
<u>-</u>	<u>2,289</u>
579	12,801
<u>17,079</u>	<u>390,532</u>
<u>\$ 17,658</u>	<u>\$ 403,333</u>
\$ -	\$ 312,070
8,200	30,750
9,458	60,513
<u>\$ 17,658</u>	<u>\$ 403,333</u>

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OTHER INFORMATION

TABLE I

CITY OF SPENCER, IOWA
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
GOVERNMENTAL FUNDS
LAST TEN YEARS

Fiscal Year	Public Safety/ Community Protection	Public Works/ Home and Community Environment	Culture and Recreation/ Human Development	Community and Economic Development	General Government/ Policy and Administration	Debt Service	Capital Projects	Total
1999-00	1,662,904	4,659,407	2,098,182	-	824,894	-	-	9 245,387
2000-01	1,799,146	6,797,639	1 722,370	-	882,719	-	-	11,201 874
2001-02	2,377,524	4,275,878	1,253,442	-	839 641	-	-	8,746,485
2002-03	1,820,298	1,286,453	1,501,855	907,477	¹ 1,055,886	817,401	¹ 2,846,127	¹ 10 235 497
2003-04	2,026,905	1 291,125	1,554,507	1,466 591	¹ 1,343,886	852 275	¹ 1,934,353	¹ 10,469 642
2004-05	1,978,717	1,416,025	1,617,789	1,218,917	¹ 1,124,274	3,871,429	¹ 4,336,342	¹ 15,563,493
2005-06	2,117,469	1,433,825	1 692,228	924,952	¹ 1 303 707	1,406,556	¹ 5 047 006	¹ 13 925,743
2006-07	2,167,277	1,474,470	1 849,139	1,496,613	¹ 1 354 535	4,904,583	¹ 1,806,523	¹ 15 053 140
2007-08	2,175,503	1,523,922	1 656 305	1,578,325	¹ 1,409,325	1 413,780	¹ 1,630,181	¹ \$ 11,387,341
2008-09	\$ 2 461 524	\$ 1,459,165	\$ 1,369,796	\$ 2 776 842	¹ \$ 1,465,448	\$ 1,485,111	¹ \$ 1 820 672	¹ \$ 12,838,558

¹ New columns are due to a change in the chart of accounts. Information is not available for previous years.

NOTE: For the fiscal years 1999-2000 through 2006-2007 amounts are reported on the modified-accrual basis of accounting.
For the fiscal year 2007-2008 and 2008-2009, amounts are reported on the cash basis of accounting.

**CITY OF SPENCER, IOWA
GENERAL GOVERNMENTAL REVENUES BY SOURCE
GOVERNMENTAL FUNDS
LAST TEN YEARS**

Fiscal Year	Taxes	Inter-Governmental	Charges for Services	Miscellaneous	Total
1999-00	3,461,293	3,436,135	430,869	1,434,253	8,762,550
2000-01	3,311,031	3,269,724	613,802	1,168,907	8,363,464
2001-02	3,626,340	3,284,360	715,605	1,304,644	8,930,949
2002-03	5,377,766	2,186,001	660,553	1,222,856	9,447,176
2003-04	5,773,995	2,149,987	689,447	1,698,517	10,311,946
2004-05	5,945,570	1,995,646	709,362	2,122,712	10,773,290
2005-06	5,799,104	2,452,620	820,133	2,121,214	11,193,071
2006-07	7,200,906	1,835,359	853,406	1,290,729	11,180,400
2007-08	7,333,936	1,646,776	882,840	1,455,837	11,319,389
2008-09	\$ 7,590,648	\$ 1,457,983	\$ 311,873	\$ 2,628,386	\$ 11,988,890

NOTE: For the fiscal years 1999-2000 through 2006-2007, amounts are reported on the modified-accrual basis of accounting.
For the fiscal year 2007-2008 and 2008-2009, amounts are reported on the cash basis of accounting.

TABLE III

**CITY OF SPENCER, IOWA
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN YEARS**

Fiscal Year	Total Tax Levy	Current Tax Collections	Percent of Levy Collected	Delinquent Tax Collections	Total Tax Collections	Collections as Percent of Current Levy
1999-00	3,056,317	3,026,576	99.03%	27,725	3,054,301	99.93%
2000-01	3,215,447	3,225,149	100.30%	28,708	3,253,857	101.19%
2001-02	3,400,880	3,301,854	97.09%	28,778	3,330,632	97.93%
2002-03	3,485,163	3,363,960	96.52%	29,468	3,393,428	97.37%
2003-04	3,568,016	3,575,870	100.22%	26,661	3,602,531	100.97%
2004-05	3,598,639	3,571,797	99.25%	29,716	3,601,513	100.08%
2005-06	3,721,216	3,706,983	99.62%	28,872	3,735,855	100.39%
2006-07	3,972,892	3,923,209	98.75%	39,184	3,962,393	99.74%
2007-08	4,168,217	4,160,882	99.82%	33,896	4,194,778	100.64%
2008-09	\$ 4,248,051	\$ 4,219,396	99.33%	\$ 50,162	\$ 4,269,558	100.51%

TABLE IV

**CITY OF SPENCER, IOWA
TAXABLE AND ASSESSED VALUE OF TAXABLE PROPERTY
LAST TEN YEARS**

Payable Year	Real Property		Utilities		Total	
	Taxable Value	Assessed Value	Taxable Value	Assessed Value	Taxable Value	Assessed Value
1999-00	260,489,504	344,047,823	6,431,642	6,106,496	266,921,146	350,154,319
2000-01	281,720,411	385,875,753	2,677,192	6,437,227	284,397,603	392,312,980
2001-02	307,073,876	418,397,846	2,585,629	2,671,192	309,659,505	421,069,038
2002-03	309,383,244	441,480,443	2,483,465	2,585,629	311,866,709	444,066,072
2003-04	316,918,800	477,395,455	2,426,076	2,483,465	319,344,876	479,878,920
2004-05	317,886,216	491,790,397	2,590,188	2,426,076	320,476,404	494,216,473
2005-06	320,172,089	461,972,302	2,544,562	2,565,631	322,716,651	464,537,933
2006-07	333,287,512	557,257,067	2,843,717	2,619,711	336,131,229	559,876,778
2007-08	349,624,211	561,803,499	2,260,676	2,930,865	351,884,887	564,734,364
2008-09	\$354,156,680	\$598,779,919	\$ 2,434,206	\$ 2,831,174	\$ 356,590,886	\$ 601,611,093

Fiscal Year	Ratio of Total Taxable Value To Total Assessed Value
1999-00	76.2
2000-01	72.5
2001-02	73.5
2002-03	70.2
2003-04	66.5
2004-05	64.8
2005-06	69.5
2006-07	60.0
2007-08	62.3
2008-09	59.3

Note:

Taxable Value does not include the Tax Increment Levy.

**CITY OF SPENCER, IOWA
PROPERTY TAX RATES AND DEBT
DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN YEARS
PER \$1,000 ASSESSED VALUATION**

Fiscal Year	City	School District	County Consolidated	Vocational School	Total
1999-00	11 15300	11 09500	4 78300	0 59500	27 62600
2000-01	11 16447	11 63238	5 05126	0 68552	28 53363
2001-02	10 80566	11 36772	5 05015	0 68550	27 90903
2002-03	11 03983	12 42898	4 77727	0 77150	29 01758
2003-04	11 02005	12 43699	5 32886	0 73807	29 52397
2004-05	11 09976	13 40352	5 73764	0 71942	30 96034
2005-06	11 37501	14 30408	6 32206	0 77966	32 78081
2006-07	11 65737	13 96943	6 22273	0 83196	32 68149
2007-08	11 65137	13 96983	6 12751	0 73979	32 49200
2008-09	11 72583	14 59188	6 46980	0 75850	33 54601

Name of Governmental Unit	Net Bonded Debt Outstanding	Percentage Applicable to This Governmental Unit
City of Spencer, Iowa	\$ 8,596,795	100%
Clay County	-	N/A
Spencer Community School District	-	N/A
	<u>\$ 8,596,795</u>	

CITY OF SPENCER, IOWA
PRINCIPAL TAXPAYERS
JUNE 30, 2009

Taxpayer	Type of Business	Assessed Valuation	Percentage of Total Assessed Valuation
Menard Inc	Retail	\$ 9,937,340	1.58%
Sequoia Investments I, LLC	Mall	8,190,310	1.30
Wal-Mart	Retail	7,325,240	1.17
St Luke Lutheran Home, Inc	Assisted Living	6,493,930	1.03
Shine Brothers Corporation	Manufacturing	5,035,100	0.80
Hy-Vee, Inc.	Retail	4,593,900	0.73
St Luke Lutheran Home - Remainderman	Assisted Living	4,190,750	0.67
Jacobsen Homes Corporation	Rental Property	4,091,310	0.65
Lake Mills Investors, Ltd.	Doctor's Office	3,645,860	0.58
S&M Real Estate Company, LLC	Retail	3,335,690	0.53
		<u>\$ 56,839,430</u>	<u>9.05%</u>

Source:

Clay County Assessor

**CITY OF SPENCER, IOWA
COMPUTATION OF LEGAL DEBT MARGIN
JUNE 30, 2009**

Total Assessed Value		<u>\$ 627,775,960</u>
Debt Limit (5% of Total Assessed Value)		31,388,798
Amount of Debt Applicable to Debt Limit	8,945,000	
Less Assets in Debt Service Fund Available for Payment of Principal	<u>348,205</u>	
Total Debt Applicable to Debt Limit		<u>8,596,795</u>
LEGAL DEBT MARGIN		<u>\$ 22,792,003</u>

TABLE VIII

CITY OF SPENCER, IOWA
 RATIO OF NET GENERAL BONDED DEBT
 TO ASSESSED VALUE AND NET BONDED DEBT PER CAPITA
 LAST TEN YEARS

Fiscal Year	Population	Assessed Value	Gross Bonded Debt	Less Debt Service Funds	Net Bonded Debt	Ratio of Net Bonded Debt to Assessed Value	Net Bonded Debt Per Capita
1999-00	11,066	350,154,319	3,475,000	206,042	3,268,958	0.93	295
2000-01	11,317	392,312,980	4,350,000	225,112	4,124,888	1.05	364
2001-02	11,317	421,069,038	6,275,000	311,427	5,963,573	1.42	527
2002-03	11,317	444,066,072	9,385,000	294,397	9,090,603	2.05	803
2003-04	11,317	479,878,920	8,330,000	614,421	7,715,579	1.61	682
2004-05	11,317	494,216,473	9,210,000	587,063	8,622,937	1.74	762
2005-06	11,317	464,537,933	8,220,000	843,866	7,376,134	1.59	652
2006-07	11,317	559,876,778	8,535,000	598,201	7,936,799	1.42	701
2007-08	11,317	564,734,364	7,990,000	710,378	7,279,622	1.29	643
2008-09	11,317	\$ 601,611,093	\$ 8,945,000	\$ 348,205	\$ 8,596,795	1.43	760

CITY OF SPENCER, IOWA
RATIO OF ANNUAL DEBT SERVICE EXPENDITURES FOR
GENERAL BONDED DEBT TO TOTAL GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN YEARS

Fiscal Year	Principal	Interest	Total Debt Services	Total General Expenditures	Ratio of Debt Service to General Expenditures
1999-00	445,000	208,558	653,558	9,245,387 ^{1,3}	7.1
2000-01	295,000	164,393	459,393	11,201,874 ^{1,3}	4.1
2001-02	300,000	207,513	507,513	8,759,736 ^{1,3}	5.8
2002-03	410,000	292,796	702,796	7,386,427 ^{2,3}	9.5
2003-04	435,000	321,727	756,727	8,532,484 ^{2,3}	8.9
2004-05	410,000	289,177	699,177	11,224,858 ^{2,3}	6.2
2005-06	900,000	341,029	1,241,029	8,876,297 ^{2,3}	14.0
2006-07	895,000	390,316	1,285,316	13,243,664 ^{2,3}	9.7
2007-08	1,015,000	420,888	1,435,888	9,753,940 ^{2,4}	14.7
2008-09	\$ 1,145,000	\$ 347,330	1,492,330	\$ 11,015,597 ^{2,4}	13.5

¹ Includes General, Special Revenue, Debt Service, Capital Projects, and Expendable Trust Funds

² Includes General, Special Revenue and Debt Service Funds

³ Modified-accrual basis of accounting

⁴ Cash basis of accounting

**CITY OF SPENCER, IOWA
PROPERTY VALUE, CONSTRUCTION, AND BANK DEPOSITS
LAST TEN YEARS**

Fiscal Year	Commercial Construction ¹		Residential Construction ¹		Bank Deposits ²	Assessed Property Value ³
	Units	Value	Units	Value		
1999-00	34	1 417 498	155	9,848,122	319,374,000	350,154,319
2000-01	49	4,398,229	139	6 275,140	336,326 000	392,312,980
2001-02	29	3,287,602	190	4,994,002	332,744,000	421,069,038
2002-03	29	27,572,359	193	5,330,054	344,265,000	444,066,072
2003-04	38	4,786,168	168	6,172,450	352,891,000	479 878 920
2004-05	11	1,268,456	39	5,628,400	390,521,000	494,216 473
2005-06	11	5,042,500	22	4 063,350	419,848,000	464,537,933
2006-07	11	5,240,000	24	3,659,000	446,865,000	559 876 778
2007-08	10	3,795 000	14	2 596,000	480 373 000	564,734,364
2008-09	5	\$ 231,000	13	\$ 2,842,000	\$ 475,472,000	\$ 601 611,093

Source:

¹ City Building Inspector

² FDIC

³ Clay County Auditor

**CITY OF SPENCER, IOWA
MISCELLANEOUS STATISTICS
JUNE 30, 2009**

Date of Incorporation	1880
Form of Government	Mayor/Council
Total Number of Employees (all departments)	138
Area in Square Miles	10.98
City of Spencer, Iowa, Facilities and Services:	
Miles of Streets	102.4
Culture and Recreation:	
City Parks	14
Golf Courses	2
Swimming Pools	1
Fire Protection:	
Number of Stations	1
Number of Fire Personnel and Officers	32
Police Protection:	
Number of Stations	1
Number of Police Personnel and Officers	29
Number of Law Violations:	
Physical Arrests	986
Citations	3 727
Sewerage System:	
Number of Treatment Plants	1
Daily Average Treatment in Gallons	2 000 000
Maximum Daily Capacity of Treatment Plant in Gallons	10 000 000
Water System	
Elevated Storage Capacity	1,500,000
Capacity of Water Plant	3,000,000
Daily Average Consumption in Gallons	1,700,000
Hospitals:	
Number of Hospitals	1
Number of Patient Beds	99
Number of Medical Personnel in County (M D , D O , D C , D D S)	60

TABLE XII

**CITY OF SPENCER, IOWA
DEMOGRAPHIC STATISTICS
LAST TEN YEARS**

Fiscal Year	Net Bonded Population	School Enrollment	Unemployment Rate %
1999-00	11,066	2,240	2.0
2000-01	11,317	2,191	2.2
2001-02	11,317	2,127	3.2
2002-03	11,317	2,097	3.6
2003-04	11,317	2,120	4.1
2004-05	11,317	2,057	4.2
2005-06	11,317	2,058	3.3
2006-07	11,317	2,058	3.1
2007-08	11,317	2,097	3.1
2008-09	11,317	1,987	6.2

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**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and Members of the City Council
The City of Spencer
Spencer, IA 51301

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of the City of Spencer, (City) as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements listed in the table of contents, and have issued our report thereon dated December 2, 2009. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing our opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies and material weaknesses.

A control deficiency exists when the design or operation of the control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with U.S. generally accepted accounting principles such that there is more than a remote likelihood a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control. We consider the deficiencies in internal control described in Part II of the accompanying Schedule of Findings as item II-A-09 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies that result in more than a remote likelihood a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe the significant deficiency described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, non-compliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of non-compliance or other matters that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of non-compliance or other matters that are described in Part III of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2009, are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

The City's responses to findings identified in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City's responses, and accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the City of Spencer and other parties to whom the City may report, including federal awarding agencies and pass-through entities. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Spencer during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Williams + Company, P.C.

Certified Public Accountants

Spencer, Iowa
December 2, 2009

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

Part I: Summary of the Independent Auditors' Results

- (a) An unqualified opinion was issued on the financial statements.
- (b) A significant deficiency in internal control over financial reporting were disclosed by the audit of the financial statements.
- (c) The audit did not disclose any noncompliance, which is material to the financial statements.

Part II: Findings Related to the Financial Statements Reported

INSTANCES OF NON-COMPLIANCE: No matters were reported.

SIGNIFICANT DEFICIENCIES:

II-A-09 Financial Reporting

Observation – During our audit, we identified various fund balance accounts that were incorrect due to prior year adjusting journal entries not being recorded. We also identified various cash receipts that were posted incorrectly.

Recommendation – The City should implement procedures to ensure that all adjusting journal entries have been recorded properly and that cash receipts are posted correctly.

Response – Due to a major software conversion in the prior year, the adjusting journal entries were not entered but rather corrected through the bank reconciliation process which resulted in the correction being recorded in the current fiscal year. In the future we will verify that all the necessary adjusting journal entries have been made and that all cash receipts are postings are reviewed for accuracy.

Conclusion – Response accepted.

Part III: Other Findings Related to Required Statutory Reporting

III-A-09 Certified Budget – Disbursements during the year ended June 30, 2009, exceeded the amount budgeted in the Debt Service function.

Recommendation – The budget should have been amended in accordance with Chapter 384.18 of the Code of Iowa before disbursements were allowed to exceed the budget.

Response – The budget will be amended in the future, if applicable.

Conclusion – Response accepted.

III-B-09: Questionable Disbursements – No expenditures that did not meet the requirement of public purpose as defined in an Attorney General's opinion dated April 25, 1979, were noted.

III-C-09: Travel Expense – No expenditures of the City were for travel expenses of spouses of the City officials or employees.

**CITY OF SPENCER
SCHEDULE OF FINDINGS
FOR THE YEAR ENDED JUNE 30, 2009**

- III-D-09: Business Transactions – Business transactions between the City and City officials or employees are detailed as follows:

Name, Title, and Business Connection	Transaction Description	Amount
Randy Swanson, Council Member, Owner of Audio Video Connection	Sansus A/V Stand	\$219.99

In accordance with Chapter 362.5(10) of the Code of Iowa, the transaction with the Council Member does not appear to represent a conflict of interest since the total transaction with the individual was less than \$1,500 during the fiscal year.

Part III: Other Findings Related to Required Statutory Reporting (Continued)

- III-E-09: Bond Coverage – Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operation.
- III-F-09: Council Minutes – No transactions were found that we believe should have been approved by the Board minutes but were not.
- III-G-09: Deposits and Investments – No instances of noncompliance with the deposit and investment provisions of Chapter 128 and 12C of the Code of Iowa and the City's investment policy were noted.
- III-H-09: Revenue Notes – No instances of non-compliance with the revenue bond and note resolutions were noted.
- III-I-09: Financial Assurance – As of June 30, 2009, the City has demonstrated financial assurance for closure and postclosure care by establishing a local government dedicated fund as provided in Chapter 567-113.14(6) of the Iowa Administrative Code.